

**EXHIBIT E**

**Fairfield Sentry Limited**

**Directors' report and financial statements  
for the year ended December 31, 2006**

**Road Town, Tortola  
British Virgin Islands**

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## **1 Directors and other information**

## **1.1 Directors and other information**

### ***Board of directors***

Mr Walter M. Noel, Jr.  
Mr Jan R. Naess (non-executive director)  
Mr Peter P. Schmid (non-executive director)

### ***Investment manager***

Fairfield Greenwich (Bermuda) Ltd.  
12 Church Street  
Suite 606  
Hamilton, Bermuda HM 11

### ***Registered office***

Fairfield Sentry Limited  
c/o Codan Trust Company (B.V.I.) Ltd.  
P.O. Box 3140  
Romasco Place, Wickhams Cay  
Road Town, Tortola  
British Virgin Islands

### ***Auditors***

PricewaterhouseCoopers LLP  
77 King Street, RT Tower  
Toronto, Ontario  
M5K 1G8  
Canada

### ***Administrator, registrar and transfer agent***

Citco Fund Services (Europe) B.V.  
Telestone 8 - Teleport  
Naritaweg 165  
1043 BW Amsterdam  
The Netherlands

### ***Legal advisor***

DLA Piper US LLP  
1251 Avenue of the Americas  
New York, New York 10020-1104  
United States of America

### ***Bank***

Citco Bank Nederland N.V., Dublin Branch  
Customs House Plaza Block 6  
International Financial Services Centre  
P.O. Box 6639 Dublin - 1  
Ireland

### ***Custodian***

Citco Global Custody N.V.  
6 Customs House Plaza Harbourmaster Plaza  
Dublin 1  
Ireland

### ***B.V.I. Counsel***

Conyers, Dill & Pearman  
P.O. Box 3140  
Romasco Place, Wickhams Cay  
Road Town, Tortola  
British Virgin Islands

**2 Directors' report**

## **2.1 Directors' report**

Fairfield Sentry Limited (“Sentry” or the “Fund”) returned 9.38%, net of fees for the year, compared with a return of 7.26% during 2005. Expenses, including performance and management fees, were 29.54% of gross income.

The Seeding Initiative has been a feature of the Fund since October 1, 2002. To December 31, 2006, the Fund has made initial allocations totaling USD222.5 million to eight managers. Fairfield Redstone Fund, Ltd., Fairfield Schlarbaum Offshore Fund Ltd., EMF Corporate Bond Arbitrage Fund, Ltd. (“EMF”), Fairfield Briscoe Senior Capital Fund, Ltd. (“Briscoe”), Fairfield Saxo Global Macro Fund, Ltd. (“Saxo”), Fairfield Argenis Healthcare Fund Ltd. (“Argenis”), Fairfield Parabolic Partners Fund Ltd. (“Parabolic”) and Fairfield Manhasset Offshore Fund Ltd. (“Manhasset”). At December 31, 2006, three managers remained in the Seeding Initiative, Argenis, Parabolic, and Manhasset which constitute approximately 1.61% of Sentry’s portfolio at that time.

In addition to the seedling program, the Fund has allocated a portion of its assets to strategic, opportunistic relationships with well established managers with the same commitment to low volatility and capital preservation. At December 31, 2006, the Fund had investments in three strategic opportunistic managers, Farallon Capital Offshore Investors Inc., Enhanced Fairfield Investment Fund, Ltd., and Enhanced Guardian II Fund, Ltd., which constitute approximately 1.30% of Sentry’s portfolio at the time. Since inception, the Seeding Initiative, has been accretive to Sentry’s returns.

The trading strategy of the Fund requires a favorable environment for its implementation. The strategy performs best in gradually trending markets with an upward bias and with moderate volatility and good liquidity. A market environment in which large cap US equities displays a sustained one to two percent move with no pullback is considered quite favorable. The worst market environment for the strategy is a stagnant to downward trending market with little volatility and no volume.

### **3      Financial statements**



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Chartered Accountants  
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Toronto Dominion Centre  
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April 24, 2007

### **Report of Independent Auditors**

**To the Directors and Shareholders of  
Fairfield Sentry Limited**

In our opinion, the accompanying balance sheet and the related income statement and the statements of changes in net assets attributable to holders of redeemable participating shares and cash flow present fairly, in all material respects, the financial position of **Fairfield Sentry Limited** (the "Company") as of December 31, 2006 and the results of its operations, the changes in its net assets attributable to holders of redeemable participating shares and its cash flow for the year then ended in conformity with International Financial Reporting Standards. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these financial statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the Company's management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

**Chartered Accountants, Licensed Public Accountants**

**3.2 Balance sheet as at December 31, 2006 and 2005**  
*(All amounts in USD thousands unless otherwise stated)*

	<i>Notes</i>	2006	2005
<b>Assets</b>			
Cash and cash equivalents	3.6.3	622,866	38,598
Financial assets at fair value through profit or loss	3.6.4	5,555,567	4,935,170
Redemptions for redeemable participating shares paid in advance		4,051	2,350
Dividends receivable		3,395	1,631
Prepaid subscriptions into financial assets		<u>25,087</u>	-
<b>Total assets</b>		<u>6,210,966</u>	<u>4,977,749</u>
<b>Liabilities</b>			
Subscriptions for redeemable participating shares received in advance		520,737	22,541
Redemptions for redeemable participating shares payable		188	-
Fees payable and accrued expenses	3.6.6	<u>65,326</u>	<u>65,619</u>
<b>Total liabilities (excluding net assets attributable to holders of redeemable participating shares)</b>		<u>586,251</u>	<u>88,160</u>
<b>Net assets attributable to holders of redeemable participating shares</b>	3.6.7	<u>5,624,715</u>	<u>4,889,589</u>
<b>Total liabilities</b>		<u>6,210,966</u>	<u>4,977,749</u>
Net asset value per share based on net asset value of 5,624,715 (2005: 4,889,559) and 4,674,576.45 (2005: 4,444,774.98) shares outstanding.	3.6.7	1,203.26	1,100.08

*The accompanying notes are an integral part of these financial statements.*

**3.3 Income statement for the years ended December 31, 2006 and 2005**  
*(All amounts in USD thousands unless otherwise stated)*

	<i>Notes</i>	2006	2005
<b>Investment income</b>			
Interest income		3,685	3,218
Dividend income		82,563	47,631
Other income		2,385	58
Net gains on financial assets and liabilities at fair value through profit or loss		<u>549,938</u>	<u>463,433</u>
<b>Total investment income</b>		<u>638,571</u>	<u>514,340</u>
<b>Expenses</b>			
Management fees	3.6.8	50,465	51,127
Performance fees	3.6.8	107,779	87,225
Administration fees	3.6.8	3,079	2,697
Legal and professional fees		113	152
Bank charges and commissions		215	248
Directors' fees	3.6.8	25	25
Other operating expenses		<u>2,319</u>	<u>1,212</u>
<b>Total operating expenses</b>		<u>163,995</u>	<u>142,686</u>
<b>Profit before taxation</b>		<u>474,576</u>	<u>371,654</u>
Withholding tax		<u>(24,622)</u>	<u>(14,239)</u>
<b>Change in net assets attributable to holders of redeemable participating shares resulting from operations</b>		<u>449,954</u>	<u>357,415</u>

*The accompanying notes are an integral part of these financial statements.*

**3.4 Statement of changes in net assets attributable to holders of  
redeemable participating shares for the years ended December 31,  
2006 and 2005**  
*(All amounts in USD thousands unless otherwise stated)*

	Number of shares
<b>Balances as at December 31, 2004</b>	<b>4,960,746.49</b>
Issue of redeemable participating shares	896,081.52
Redemption of redeemable participating shares	(1,412,053.03)
Change in net assets attributable to holders of redeemable participating shares resulting from operations	<u>357,415</u>
<b>Balances at December 31, 2005</b>	<b>4,444,774.98</b>
Issue of redeemable participating shares	1,023,548.53
Redemption of redeemable participating shares	(793,747.06)
Change in net assets attributable to holders of redeemable participating shares resulting from operations	<u>449,954</u>
<b>Balances at December 31, 2006</b>	<b>4,674,576.45</b>
	<b>5,624,715</b>

*The accompanying notes are an integral part of these financial statements.*

**3.5 Cash flow statement for the years ended December 31, 2006 and  
2005**  
*(All amounts in USD thousands unless otherwise stated)*

	2006	2005
<b>Increase in net assets attributable to holders of redeemable participating shares from operations</b>	449,954	357,415
<i>Adjustments for:</i>		
Interest income	(3,685)	(3,218)
Dividend income	(82,563)	(47,631)
Withholding tax	<u>24,622</u>	<u>14,239</u>
<b>Operating profit before working capital changes</b>	388,328	320,805
Net (increase)/decrease in financial assets at fair value through profit or loss	(620,397)	168,449
Net decrease in receivable for financial assets sold	-	143
Net increase in prepaid subscriptions into financial assets	(25,087)	-
Net decrease in other receivables	-	1,509
Net (decrease)/increase in fees payable and accrued expenses	<u>(293)</u>	<u>32,036</u>
<b>Cash from/(used in) operations</b>	(257,449)	522,942
Withholding tax	(24,622)	(14,239)
Interest received	3,685	3,218
Dividend received	<u>80,799</u>	<u>46,097</u>
<b>Net cash from/(used in) operating activities</b>	<u>(197,587)</u>	<u>558,018</u>
<b>Cash flows from financing activities</b>		
Increase/(decrease) in subscriptions for redeemable participating shares received in advance	498,196	(13,849)
Increase in redemptions for redeemable participating shares paid in advance	(1,701)	(1,716)
Issue of redeemable participating shares	1,183,814	937,918
Redemptions of redeemable participating shares	<u>(898,642)</u>	<u>(1,493,631)</u>
Increase in redemptions for redeemable participating shares payable	<u>188</u>	<u>-</u>
<b>Net cash from/(used in) financing activities</b>	<u>781,855</u>	<u>(571,278)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	584,268	(13,260)
Cash and cash equivalents at beginning of the year	<u>38,598</u>	<u>51,858</u>
<b>Cash and cash equivalents at end of the year</b>	<u>622,866</u>	<u>38,598</u>

*The accompanying notes are an integral part of these financial statements.*

### **3.6 Notes to financial statements as at December 31, 2006 and 2005** *(All amounts in USD thousands unless otherwise stated)*

#### **3.6.1 General**

Fairfield Sentry Limited (the “Company”) is an open-ended investment fund domiciled and incorporated in the British Virgin Islands on October 30, 1990 under the provisions of The Mutual Funds Law of the British Virgin Islands. The Company commenced operations on December 1, 1990. The address of its registered office is P.O. Box 3140, Romasco Place, Wickhams Cay, Road Town, Tortola, British Virgin Islands.

The investment manager of the Company is Fairfield Greenwich (Bermuda) Ltd. (the “Investment Manager”), a corporation organized under the laws of Bermuda. On March 27, 2006 the investment manager filed to become a registered investment advisor with the Securities and Exchange Commission. The registration became effective April 20, 2006.

The Investment Manager utilizes an option trading strategy, known as a “split strike conversion”. In addition, the Investment Manager has allocated relatively small portions of the Company's assets to other strategies typically sub-advised by experienced personnel starting new businesses (the “Seedlings”). Allocations to Seedlings may never exceed, in the aggregate, 5% of the Company's net asset value at the time of the investment. It is anticipated that the other allocations will be made to new investment vehicles, with no single allocation exceeding USD 50,000,000 at the time of the investment. Non-split strike conversion investments may also include strategic allocations to experienced managers in established funds.

The administrator of the Company is Citco Fund Services (Europe) B.V.

The Company has no employees.

The Company's financial statements were authorised for issue on April 24, 2007 by the Board of Directors.

#### **3.6.2 Accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### *Basis of preparation*

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements are prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

### **3.6 Notes to financial statements as at December 31, 2006 and 2005** *(All figures in USD thousands unless otherwise stated)*

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Because of the inherent uncertainty of valuation for all fair value investments and interests, the estimate of fair value may differ from the values that would have been used had a ready market existed, and the differences could be material.

All references to net assets throughout this document refer to net assets attributable to holders of redeemable preference shares unless otherwise stated.

The balance sheet presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items. All the Company's assets and liabilities are held for the purpose of being traded or are expected to be realized within one year.

#### *Foreign currency translation*

##### **(a) Functional and presentation currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the USD, which reflects the Company's primary activity of investing in USD securities and derivatives. Redeemable participating shares in the Company are denominated in USD. The financial statements are presented in USD which is the Company's functional and presentation currency.

##### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognized in the income statement within the fair value net gain or loss..

#### *Cash and cash equivalents*

For the purpose of the cash flow statement, cash and cash equivalents include cash on hand, deposits held with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

#### *Due from/to brokers*

Amounts due from/to brokers represent payables for securities purchased and receivables for securities sold that have been contracted for but not yet delivered by the end of the year.

#### *Financial assets at fair value through profit or loss*

Management designated the Company's investments in debt and equity securities, and related derivatives as financial assets at fair value through profit or loss.

A financial asset or financial liability at fair value through profit or loss is a financial asset or financial liability that meets either of the following conditions:

- (a) It is classified as held for trading. A financial asset or liability is classified as held for trading if it is:
  - (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near

### **3.6 Notes to financial statements as at December 31, 2006 and 2005**

*(All figures in USD thousands unless otherwise stated)*

term;

- (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking or
- (iii) a derivative

(b) Upon recognition it is designated by the entity as at fair value through profit or loss.

All other financial assets are classified as loans and receivables and valued at amortized cost. Other financial liabilities that are not at fair value through profit or loss or redeemable participating shares are classified as other liabilities and are valued at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income is presented under net gains and losses on financial assets and liabilities at fair value through profit and loss.

The Company does not designate any derivatives as hedges in a hedging relationship.

Regular-way purchases and sales of investments are recognized on trade date, which is the date the Company commits to purchase or sell the investment. Investments are initially recognized at cost. Transaction costs are expensed as incurred. Investments are derecognized when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Listed securities are valued at the last reported bid price if owned and asked price if sold short on the last business day of the valuation period.

Unlisted securities are valued at their fair values as determined by management in consultation with the Investment Manager in accordance with recognised accounting and financial principles. In this respect, investments in other investment companies are valued at the net asset value per share on the day of valuation as calculated by the related administrators, unless the directors are aware of good reasons why such valuation would not be the most appropriate indicator of fair value.

*Determination of gains or losses on financial assets and liabilities at fair value through profit or loss*

Both realized and unrealized gains and losses on financial assets and liabilities at fair value through profit or loss are taken as income and expenses as incurred. Realised gains and losses on sales of financial assets and liabilities at fair value through profit or loss are calculated on a first-in-first-out basis. The difference between the cost and the fair value of financial assets and liabilities at fair value through profit or loss is reflected in the income statement as net gains on financial assets and liabilities at fair value through profit or loss.

### **3.6 Notes to financial statements as at December 31, 2006 and 2005** *(All figures in USD thousands unless otherwise stated)*

#### *Derivative financial instruments*

Derivative financial instruments including option contracts are initially recognized on the balance sheet at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value.

Fair values are primarily obtained from quoted market prices. All derivatives are carried in assets when amounts are receivable by the Company and in liabilities when amounts are payable by the Company. Changes in the fair values of derivatives are included in the income statement.

Initial margin deposits are made upon entering into forward contracts and are generally made in cash. During the period the contract is open, changes in the value of the contracts are recognized as unrealized gains or losses by ‘marking-to-market’ on a daily basis to reflect the market value of the contract at the end of each day’s trading.

Variation margin payments are made or received, depending upon whether unrealized losses or gains are incurred. Unrealized gains are reported as an asset and unrealized losses are reported as a liability in the balance sheet. When the contract is closed, the Company records a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Company’s basis in the contract.

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price. The Fund is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

#### *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

#### *Redeemable participating shares*

A continuous offering of redeemable participating shares is taking place and participating shares will be issued on the first business day of each month at a price equal to the net asset value per participating share computed on the immediately preceding valuation date (being the last business day of each calendar month and such other days as the directors may determine). The minimum initial investment per subscriber is USD 100,000. Following this initial investment, a shareholder may make additional investments in amounts of not less than USD 50,000.

Redemptions of redeemable participating shares can be made on the last business day of each month (the “Valuation Date”) at a price equal to the net asset value of that month upon 15 calendar days written notice prior to the Valuation Date.

The net asset value per share for any valuation date is determined by dividing the value of the assets of the Company less its liabilities at the close of business on such Valuation Date, by the number of shares outstanding at that date.

### **3.6 Notes to financial statements as at December 31, 2006 and 2005** *(All figures in USD thousands unless otherwise stated)*

The Company issues redeemable shares, which are redeemable at the holder's option and are classified as financial liabilities. Redeemable shares can be put back to the Company at any time for cash equal to a proportionate share of the Company's net asset value. The redeemable share is carried at the redemption amount that is payable at the balance sheet date if the holder exercises the right to put the share back to the Company.

In accordance with the provisions of the Company's regulations, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per share for subscriptions and redemptions.

Subscriptions for redeemable participating shares received in advance represent monies received by the Company before the Company's dealing date for redeemable participating shares issued.

#### *Interest income and expense*

Interest income and expense are recognized in the income statement on an accrual basis.

#### *Dividend income*

Dividend income is recognized when the right to receive payment is established. Dividend income received by the Company is subject to foreign withholding taxes.

#### *Expenses*

Expenses are accounted for on an accrual basis.

#### *Taxation*

Under current laws of the British Virgin Islands, there are no income, estate, transfer, sales or other British Virgin Island taxes payable by the Company. Generally, the Company intends to conduct its affairs so as not to be liable to taxation in any other jurisdiction; however, the Company may invest in securities whose income is subject to non-refundable foreign withholding taxes, which have been separately stated in the income statement.

#### *Redemptions payable*

The Company has received redemption notices as of December 31, 2006. These amounts are included in net assets attributable to holders of redeemable participating shares and are not reflected as redemptions for redeemable participating shares payable. The amount of net assets attributable to holders of redeemable participating shares at December 31, 2006 subject to redemption notices which have been received is 76,789,563 (2005: 85,845,842)

**3.6 Notes to financial statements as at December 31, 2006 and 2005**  
*(All figures in USD thousands unless otherwise stated)*

**3.6.3 Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents include the following items:

	<b>2006</b>	<b>2005</b>
Cash at banks	622,822	28,544
Overnight deposit	-	10,000
Money Market Funds	44	54
	<hr/> <u>622,866</u>	<hr/> <u>38,598</u>

As at December 31, 2006 and 2005 there is no restricted cash.

**3.6.4 Financial assets at fair value through profit or loss**

As at December 31, 2006, the Company's financial assets at fair value through profit or loss comprised the following positions:

	Market Value	% of net assets of the Company %
<b>United States</b>		
USA 02/01/2007 Treasury Bills	360,819	6.41
USA 02/08/2007 Treasury Bills	360,475	6.41
USA 02/15/2007 Treasury Bills	360,102	6.40
USA 02/22/2007 Treasury Bills	359,758	6.40
USA 03/01/2007 Treasury Bills	359,402	6.39
USA 03/08/2007 Treasury Bills	359,055	6.38
USA 03/15/2007 Treasury Bills	358,721	6.38
USA 03/22/2007 Treasury Bills	358,355	6.37
USA 03/29/2007 Treasury Bills	358,152	6.37
USA 04/05/2007 Treasury Bills	357,796	6.36
USA 04/12/2007 Treasury Bills	357,315	6.35
USA 04/19/2007 Treasury Bills	356,970	6.35
USA 04/26/2007 Treasury Bills	356,615	6.34
USA 05/03/2007 Treasury Bills	356,271	6.33
USA 05/10/2007 Treasury Bills	355,938	6.33
<b>Total United States</b>	<hr/> <b>5,375,744</b>	<hr/> <b>95.57</b>

**3.6 Notes to financial statements as at December 31, 2006 and 2005**  
*(All figures in USD thousands unless otherwise stated)*

**Funds**

Arlington International Fund Ltd.	287	0.01
Chester Global Strategy Fund Ltd.	6,380	0.11
Chester Horizons Fund Ltd.	494	0.01
Enhanced Fairfield Investment Fund Ltd.	15,708	0.28
Enhanced Guardian II Fund Ltd.	5,050	0.09
Fairfield Aerium International, SCA	1,443	0.03
Fairfield Argenis Healthcare Fund Ltd.	55,532	0.99
Fairfield Del Mar Fund Ltd.	82	0.00
Fairfield Fortitude Australian Absolute Return Fund Ltd.	12	0.00
Fairfield ICAP Absolute Return Fund Ltd.	37	0.00
Fairfield Investment Fund Ltd.	959	0.02
Fairfield Lion Investment Fund (Asia) Ltd.	66	0.00
Fairfield Manhasset Offshore Fund Ltd.	26,345	0.47
Fairfield Parabolic Partners Fund Ltd.	8,191	0.15
Fairfield Paradigm Fund Ltd.	31	0.00
Fairfield Raven Credit Opportunities Fund Ltd.	38	0.00
Fairfield Redstone Fund Ltd.	139	0.00
Farallon Capital Offshore Investors, Inc.	52,340	0.93
FIF Advanced Ltd.	1,909	0.03
Irongate Global Strategy Fund Ltd.	4,755	0.08
NGA Fairfield Ltd.	25	0.00
<b>Total Funds</b>	<b>179,823</b>	<b>3.20</b>
<b>Total financial assets at fair value through profit or loss</b>	<b>\$5,555,567</b>	<b>98.77</b>

As at December 31, 2005, the Company's financial assets at fair value through profit or loss comprised the following positions:

	Market Value	% of net assets of the Company
<b>United States</b>		
USA 02/02/2006 Treasury Bills	478,226	9.78
USA 02/09/2006 Treasury Bills	477,881	9.77
USA 02/016/2006 Treasury Bills	477,531	9.77
USA 02/23/2006 Treasury Bills	477,171	9.76
USA 03/02/2006 Treasury Bills	476,746	9.75
USA 03/09/2006 Treasury Bills	476,360	9.74
USA 03/16/2006 Treasury Bills	475,990	9.73

**3.6 Notes to financial statements as at December 31, 2006 and 2005**  
*(All figures in USD thousands unless otherwise stated)*

USA 03/23/2006 Treasury Bills	475,555	9.72
USA 03/30/2006 Treasury Bills	475,216	9.72
USA 05/04/2006 Treasury Bills	473,238	9.68
USA 05/11/2006 Treasury Bills	246	0.01
USA 05/18/2006 Treasury Bills	246	0.01
<b>Total United States</b>	<b>4,764,406</b>	<b>97.44</b>
<b>Funds</b>		
Arlington International Fund Ltd.	5	0.00
Chester Global Strategy Fund Ltd.	1,510	0.03
EMF Corporate Bond Arbitrage Fund Ltd.	24,749	0.51
Fairfield Aerium International, SCA	1,295	0.03
Fairfield Briscoe Senior Capital Fund Ltd.	54,756	1.12
Fairfield Investment Fund Ltd.	179	0.00
Fairfield Paradigm Fund Ltd.	26	0.00
Fairfield Redstone Fund Ltd.	27	0.00
Fairfield Saxo Fund Ltd.	9,701	0.20
Farallon Capital Offshore, Investors Inc.	77,485	1.58
FIF Advanced Ltd.	578	0.01
Irongate Global Strategy Fund Ltd.	447	0.01
NGA Fairfield Ltd.	6	0.00
<b>Total Funds</b>	<b>170,764</b>	<b>3.49</b>
<b>Total financial assets at fair value through profit or loss</b>	<b>\$4,935,170</b>	<b>100.93</b>

*3.6.5 Risks associated with financial instruments*

The Company's investment activities expose it to the various types of risks taken by the Company and the money managers of the underlying funds, which are associated with the financial instruments and markets in which they invest. The following summary is not intended to be comprehensive of all risks.

*Interest rate risk*

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

*Market price risk*

The Company's investments and financial instruments are susceptible to market price risk arising from uncertainties about future prices of the instruments. The Company's overall market positions are monitored routinely by the Investment Manager and reviewed monthly by the board of directors.

### **3.6 Notes to financial statements as at December 31, 2006 and 2005** *(All figures in USD thousands unless otherwise stated)*

#### *Credit risk*

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. Financial assets, which potentially expose the Company to credit risk, consist principally of cash due from brokers and receivables for investments sold.

The Company's cash balances are primarily with high credit quality, well established financial institutions. The extent of the Company's exposure to credit risk in respect of these financial assets approximates their carrying value as recorded in the Company's balance sheet.

#### *Liquidity risk*

A lack of liquidity may also result from limited trading opportunities. The Company's listed securities are considered to be readily realizable as they are listed for the major part on European and American stock exchanges. With some hedge funds, investors can sell their units at certain dates, which may occur monthly, quarterly or even annually. A lack of liquidity may also result from limited trading opportunities in alternative investment products.

#### *Currency risk*

The Company may invest in assets denominated in currencies other than its reporting currency, the USD. Consequently, the Company is exposed to risks that the exchange rate of the USD relative to other currencies may change in a manner, which has an adverse effect on the reported value of that portion of the Company's assets, which are denominated in currencies other than the USD.

#### *Off-balance sheet risks*

An off-balance sheet market risk exists when the maximum potential loss on a particular investment is greater than the value of such investment as reflected in the Company's balance sheet.

#### *3.6.6 Fees payable and accrued expenses*

	<b>2006</b>	<b>2005</b>
Management fees	15,709	14,195
Performance fees	27,847	35,222
Administration fees	286	251
Legal and professional fees	95	93
Custody fees	46	9
Deferred fees	21,320	11,395
Other accounts payable and accrued expenses	23	4,454
	65,326	65,619

### **3.6 Notes to financial statements as at December 31, 2006 and 2005** *(All figures in USD thousands unless otherwise stated)*

#### **3.6.7 Redeemable participating shares**

The authorized redeemable participating shares of the Company are USD 100,000 divided into 10,000,000 ordinary shares of USD 0.01 each. As at December 31, 2006 there were 4,674,576.45 (2005: 4,444,774.98) redeemable participating shares issued and fully paid.

Each redeemable participating share entitles the holder to one vote and to receive such dividends as declared by the directors and to participate upon liquidation on a proportional basis. The dividend policy is determined by the directors and the current policy is directed towards capital appreciation.

The Company will not accept a subscription tendered for shares at a time when the number of its outstanding shares is 10,000,000.

#### **3.6.8 Related parties**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

##### *Management fees*

The Investment Manager receives a monthly management fee in an amount equal to one-twelfth of one percent 0.0833% (2005: 0.0833%) of the net asset value before performance fees, as calculated at the opening of the first day of each calendar month, which will include capital activity as of the first day of the month. This fee is payable monthly in arrears.

##### *Performance fees*

The Investment Manager receives a performance fee of 20% of the new appreciation in share value each quarter. The performance fees are calculated and payable quarterly in arrears.

##### *Deferred Fee*

Pursuant to a Deferred Fee Agreement dated July 1, 2003 with the Company, the investment manager and Fairfield Greenwich Limited have the option to defer the payment of all or a portion of the performance fees and/or management fees. In 2006, the investment manager has deferred payment of the performance fee for an amount of USD 27,847,007 (2005: USD 15,845,694). The remaining part of the performance fee as stated in the income statement is paid to the Investment Manager.

##### *Directors' fees*

The directors not affiliated with the investment manager, of which there are at the present time two, will each be paid a fee of USD 25,000 (2005: USD 25,000) per annum by the Company together with out-of-pocket expenses made in attending meetings of the board of directors or of shareholders.

Mr Noel, a director of the Company, is also principal officer and director of the parent company of the Company's investment manager. Mr Noel has waived his fees in the Company as at December 31, 2006 and 2005.

The directors held no shares in the Company as at December 31, 2006 and 2005.

### **3.6 Notes to financial statements as at December 31, 2006 and 2005**

*(All figures in USD thousands unless otherwise stated)*

#### *Administration fees*

The Company pays to the administrator a monthly fee based on the net asset value of the Company as of the last business day of the month. The administrator will also be reimbursed for all disbursements and reasonable expenses incurred in the performance of its duties as detailed in the administrative services agreement.

#### *Custody fee*

The Company pays custody fees quarterly in arrears in accordance with the custody agreement. The custody fee will be accrued on a monthly basis. The custodian will charge the Company a transaction fee per transfer, subscription, purchase, sale or redemption of hedge fund assets.

Investments made during the year in trading securities in related party investment Funds are as follows:

	<b>2006</b>	<b>2005</b>
Trading securities bought	141,530	31,362
Trading securities sold	127,263	44,179

As at December 31, 2006 investment funds managed by related parties held 707,423.41 (2005: 575,989.40) shares in the Company.

#### *3.6.9 Reconciliation IFRS-US GAAP*

As the Company is managed by an SEC registered investment advisor, it is required that the Company issues its financial statements in accordance with United States generally accepted accounting principles (US GAAP) or otherwise presents a reconciliation to US GAAP in the financial statements.

The Company has elected to prepare the financial statements in accordance with IFRS. Accordingly, a reconciliation of the net assets attributable to holders of redeemable participating shares under US GAAP follows:

**3.6 Notes to financial statements as at December 31, 2006 and 2005**  
*(All figures in USD thousands unless otherwise stated)*

	2006			2005		
	Totals (000's)	Number of shares	USD per share	Totals (000's)	Number of shares	USD per share
Net assets attributable to holders of redeemable participating shares based on IFRS	5,624,715	4,674,576.45	1,203.26	4,889,589	4,444,774.98	1,100.08
Adjustment for:						
Valuation of investments against last price						
Net assets attributable to holders of redeemable participating shares based on US GAAP	<u>5,624,715</u>	<u>4,674,576.45</u>	<u>1,203.26</u>	<u>4,889,589</u>	<u>4,444,774.98</u>	<u>1,100.08</u>

*Valuation of investments against closing price*

IFRS requires that financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices. US GAAP requires both financial assets as well as financial liabilities to be priced at the last quoted sales prices. As at December 31, 2006 and 2005 there is no difference between net assets attributable to holders of redeemable participating shares based on IFRS and US GAAP.

**3.6.10 Financial Highlights**

Pursuant to the AICPA Audit and Accounting Guide, Audits of Investment Companies, non-public investment companies are required to disclose certain financial highlights related to investment performance and operations. These financial highlights include the total return and net investment income and expense ratios and per share operating performance for the years ended December 31, 2006 and 2005 for the Company based on US GAAP.

<i>Based on US GAAP</i>	2006	2005
Ratio of net investment loss to average net assets	<u>(1.98)%</u>	<u>(2.10)%</u>
Ratio of operating expenses and performance fees to average net assets:		
Operating expenses	1.11%	1.10%
Performance fees	<u>2.14%</u>	<u>1.73%</u>
Total operating expenses and performance fees	<u>3.25%</u>	<u>2.83%</u>

**3.6 Notes to financial statements as at December 31, 2006 and 2005**  
*(All figures in USD thousands unless otherwise stated)*

The computation of the above-mentioned ratios based on the amount of operating expenses and performance fees assessed to an individual investor's equity may vary from these ratios based on the timing of capital transactions.

<i>Based on US GAAP</i>	<b>2006</b>	<b>2005</b>
Total return:		
Total return before performance fees	11.72%	9.07%
Performance fees	<u>(2.34%)</u>	<u>(1.81%)</u>
Total return after performance fees	<u>9.38%</u>	<u>7.26%</u>

Total returns stated above are the total returns for the Company as a whole before and after performance fees based on the total capital subscriptions and redemptions and the change in net asset value during the years for the Company.

<i>Based on US GAAP</i>	<b>2006</b>	<b>2005</b>
<b>Per share operating performance</b>		
Net asset value, beginning of period	<u>1,100.08</u>	<u>1,025.63</u>
Net investment gain or (loss)	<u>(22.93)</u>	<u>(22.08)</u>
Net realised and unrealised gains/(losses) on transactions	<u>126.11</u>	<u>96.53</u>
Total from investment operations	<u>103.18</u>	<u>74.45</u>
Net asset value, end of period	<u>1,203.26</u>	<u>1,100.08</u>

The schedule above provides a breakdown of the increase in net asset value per share into the net investment result and net realised and unrealised gain/losses on transactions.

**3.6.11 Post balance sheet events**

There were no material post-balance sheet events which have a bearing on the understanding of the financial statements.